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Strong demand and prospects for smaller output is likely to keep farmers' prices high in the next few months.

July crop reports pointed to a 2 percent smaller production than in 1946. The wheat crop is a record and several other crops will be large. Pastures are unusually good. However, sizeable cuts in corn and oats will pull the total down.

Although estimated at 11 percent off from last year's record, feed grain supply would not be much below other recent years. Prospect for all feed concentrates is a little brighter. On a per animal unit basis, supplies are expected to be a little larger than for other recent years, though down 8 percent from 1946-47.

Less feed would not mean less meat in 1947. The cut will come in 1948. Meat supplies per person for the second half of this year, are likely to be moderately above last year. More will be available this summer; about the same amount this fall.

In addition to prospects for smaller feed crops, good business also favors high prices for farm products. According to Commerce Department figures, employment soared to a postwar peak of 60.1 millions in June, up 1.8 millions from May. 1.4 millions more persons were at work on farms, 400,000 off the farm. However, the rise was not enough to absorb summer increase in labor force. Unemployment was up 500,000 from the May figure of 2 millions.

Despite high employment, industrial production again fell off slightly in June. Durable goods were only 1 point below the May level. Most of the decline was in nondurables which were off for third straight month. Rubber, liquor, shoes and textiles accounted for most of the loss.

Personal incomes in May were up one percent from April. Higher salary and wage payments accounted for rise. Wage raises more than offset less activity in factories.

Demand from abroad also continues strong. However, lack of funds may cut down foreign buying of U. S. goods by the year's end.

Last year, U. S. exports of goods and services totaled 15.3 billion dollars; imports, 7.1 billion. Of the 8.2 billion dollar difference, 5.4 billion were paid for out of funds given or loaned by the U. S. government. About 1½ billions of these funds were especially earmarked for purchases of farm products.

On a yearly basis, the gap between exports and imports was even wider in January-March of this year. The U. S. was providing a little more but foreign countries were spending their gold and dollars much faster. If they continue to use their resources at this rate, the drain in 1947 will be considerable.

The situation could be relieved by: 1. Larger U. S. imports. 2. More U. S. government gifts and loans. Number 1 is not likely to be important this year. However, U. S. government gifts and loans totaling about 6 billion dollars are in progress. While they may extend for some time ability of foreign countries to buy U. S. goods, they probably will not hold foreign buying at the first quarter rate through 1947.

Whether foreign countries will spend as much for farm products as last year is not known. Less U. S. funds are earmarked for agricultural products. However, the food situation abroad is still critical. Foreign countries probably will continue to buy large amounts of food from the U. S. In that case, agricultural exports for 1947 probably will be as large as in 1946.

PRICES In the last month, farmers got higher prices for livestock and products, corn, cotton, rice, and potatoes. Returns from wheat, fruits and truck crops were down. As a result, prices received by farmers averaged 276 in mid-July up 5 points from June and 6 higher than for first six months.

Prices paid by farmers, including interest and taxes, for July equalled the June record of 231. A drop in building materials and household supplies offset the rise in food and feeds. During the first six months of 1947, prices paid climbed steadily except for one point setback in May. Average for the period was 225.

The parity ratio--prices received divided by prices paid--was 119 in July, up slightly from June.

Wholesale prices were steady in June and early July. The BLS consumer price and food price indexes were higher.

Through July farmers' cash receipts from marketings and government payments were about 14.7 billion dollars, 22 percent more than last year. If government payments are not counted, the gain was 27 percent.

FEED & LIVESTOCK The weather remains important to the price prospects for corn and other feed grains. If it's favorable through the growing season, prices probably will decline seasonally this fall and winter but may average higher than last year.

Meat animal prices averaged only 1 percent below the March record. Price outlook hinges on consumer incomes. If they stay high, the seasonal decline in the fall and early winter is expected to be only moderate.

Among dairy products' prices, butter and cheese have been going up. In the second half of 1947, dairy farmers probably will get somewhat lower prices than after decontrol in late 1946.

Milk production per cow is a record because of good pastures and heavy feeding of grain concentrates. However, fewer cows are being milked than in recent years.

Egg prices averaged 46 cents per dozen in mid-July, 9 cents above a year earlier. High meat prices and small cold storage supplies of eggs will hold demand high. However, egg prices may not increase as much as usual between now and late 1947.

Supplies of chicken meat in the second half of 1947 will be below last year. Prices may decline from present levels this fall. There will be fewer turkeys for the coming holidays.

WHEAT On July 1, wheat production was estimated at 1,436 million bushels, carryover at 83 million -- total 1947-48 supply, 1,519 million. Because of smaller corn crop, more wheat may be fed to livestock and domestic disappearance may reach 850 million bushels. About 450 million bushels may be exported. This would leave about 200 million for carryover next July 1.

Prices for new crop wheat declined from late May to July 7, then advanced. Prospects for a small corn crop tended to strengthen wheat.

Wheat production prospects abroad--Canada, good; Europe, excluding Russia, far below prewar and 10 percent below the 1946 harvest of 1,350 million bushels; Russia, better than last year but considerably below prewar; Asia and Africa, about the same as for 1946.

FATS & OILS Prices of fats and oils, except butter, eased down from mid-May to mid-July.

Consumption of fats and oils per person in 1947 will be a little less than the prewar average of 70 pounds. Production for the year may be around 10.0 billion pounds, 1.2 billion above 1946. Output of creamery butter, federally inspected lard and factory tallow will be up. Larger acreages probably mean higher production of vegetable oils.

FRUITS & VEGETABLES Growers' fruit prices this summer are expected to continue below last year. Peach prices are expected to be off slightly; table grapes, moderately; raisin grapes, sharply. Citrus fruit will be well below 1946 but may gain slightly this summer.

Fruit production will be larger than in 1946. Export demand may fall off because of dollar shortages abroad. Probably less deciduous fruits will be canned.

A more rapid decline than usual is expected in prices of most commercial truck crops grown for fresh market this summer. But return to 1946 levels by September is likely. Each month since February, prices have been above same month in 1946 because of smaller output and the late season in the eastern U. S.

Of 19 truck crops for summer harvest, output of cantaloupes, watermelons, lima beans, sweet corn, eggplant and green peas is larger than last year. Output of the others is lower. Total is expected to be 4 percent below last summer but 20 percent above 1936-45 average.

Wholesale and packer stocks of canned vegetables carried over from 1946 are much above last year's low stocks. Green pea and tomato stocks appear unusually large.

Farmers' prices for potatoes probably will average higher than last year for the next few months. As a result little price support buying will be needed. The 1947 crop is estimated at about 352 million bushels, 124 million down from the 1946 record and the smallest since 1939.

Sweetpotato prices may be at least as high as last year and above support levels. The 1947 crop is estimated at 62 million bushels, 7 percent below last year and 4 percent below average.

The 1947 edible dry bean crop is forecast at 16.1 million bags (100 pounds, uncleaned). Edible dry pea output is estimated at 6.2 million bags, 10 percent below 1946 but 28 percent above average. Prospects indicate few beans for export but substantial quantities of peas.

COTTON & WOOL Planted acreage of cotton was officially estimated as 21,389,000 on July 8, up 18 percent from 1946, and the highest since 1943. Prices climbed sharply after the announcement, then eased off. The average for July 1-28 was 37.71 cents per pound.

Textile markets were more active in late June and early July. Prices moved up after the cotton acreage announcement. Sales slumped a little.

In first 11 months of season, mills used about 9.4 million bales of cotton. July consumption may bring the total for year to 10 million. If net exports are 3.1 million, carryover would be about 2.8, the lowest in 18 years.

Buying of fine and half-blood domestic wools was active in June and may continue so for some months. Prices are about the same as recent government supports. In States east of the Continental Divide where medium wools predominate, however, farmers' prices for wool are generally lower and demand is slack.

In world markets, prices of fine combing wools again advanced in June. Those for inferior and coarser grades were generally steady to lower.

TOBACCO Auctions for Georgia-Florida flue-cured tobacco opened July 24. Prices for the first week's sales averaged 43.9 cents per pound compared with 45.4 cents per pound for the first week last year. Maryland tobacco prices were steady at 46 to 48 cents a pound in the last half of June and the first 3 weeks of July.

In the first five months of 1947, slightly more cigarettes were consumed than in 1946. Cigar consumption was off 6 percent. Use of smoking and chewing products was about the same.